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AUG 1992

A CAHNERS PUBLICATION

INDUSTRIAL DISTRIBUTION

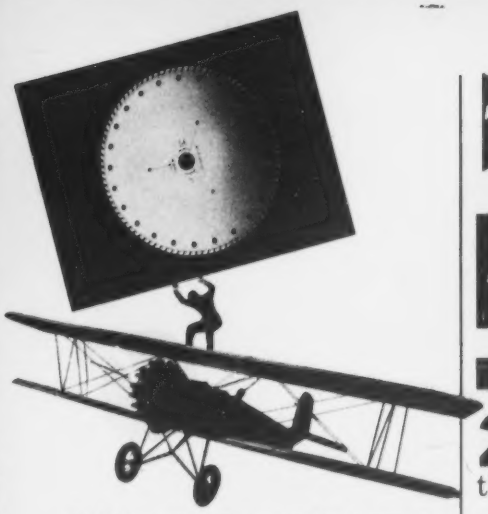
THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL Computer Update p. 35

Take your products to new heights PAGE 22

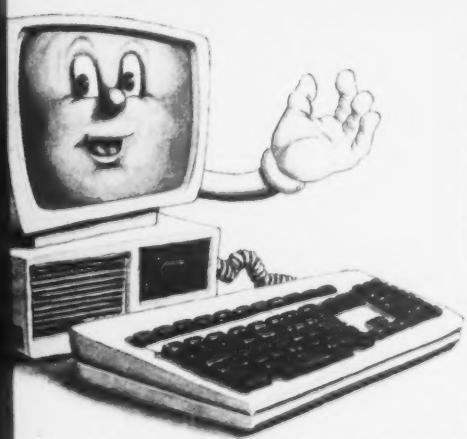
Bossert fights Norton termination p. 4

Meet distribution's Wonder Woman p. 29



Marketing savvy helps new products soar successfully.—p. 22

A Jacqueline of all trades, Terry Combs redefines the term "multi-tasking."—p. 29



Micros give you heavy-duty computing without busting your budget.—p. 35

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By Susan E. Farris

Re-stocking to fuel expansion

Inventories have fallen recently in the face of rising demand.

The surge in housing starts at the beginning of the year has resulted in strong demand for home appliances, construction supplies and building materials; and consumer spending, particularly on new cars, furniture and computers, remains robust in the early stages of the recovery. As a result, April year-to-date manufacturing orders are 4.6%, and ASMMA's new order index is 4.2%, ahead of same period '91 levels. Orders tend to turn early in a recovery, so their upturn bodes well for the economy as a whole. Expect total manufacturing orders to rise 5.3% this year, which translates to almost $3.0 trillion, a considerable portion of GDP. Throughout 1993, orders will grow at a more moderate pace, rising 3.6% for the year.

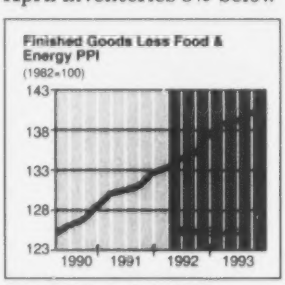
Data source: ASMMA
Forecast source: Cahners Economics

Data source: Cahners Economics
Forecast source: Cahners Economics

Much of this sharp increase in demand has been supplied out of manufacturing inventories, which were running high at the start of 1992. Inventory overhang has since been eliminated as a result. Any new orders will now translate directly into industrial production gains. With April inventories 3% below year-ago levels and expected to increase just 0.7% for 1992, inventory build-up will help to bolster the economic recovery. This will be especially true in 1993 when inventories are forecast to grow 6.3%. The manufacturing inventory shipment ratio (I/S) has been hovering around 1.5 for the last three months and is expected to remain at this level through the end of the year. This is one of the lowest I/S ratios ever. As inventories are built back up, expect the I/S ratio to creep up to 1.6 in 1993.

While inventory build-up is beneficial to the economy as a whole, other economic factors work to increase the cost of holding stocks. Inventory carrying costs dropped to 11.8 cents per dollar held in April, a 4 cent decrease from March. However, the forecast calls for low inflation coupled with higher interest rates this year, a combination that promises to increase the cost of holding goods in inventory. Expect inventory carrying costs to average 16.9 cents in 1992. Although both inflation and interest rates will rise somewhat next year, the increases are expected to be moderate. Accordingly, as we enter 1993, inventory costs will average out at around 18% of the value of goods held.

Data source: Department of Commerce
Forecast source: Cahners Economics



Data source: Bureau of Labor Statistics
Forecast source: Cahners Economics

Data source: Department of Commerce
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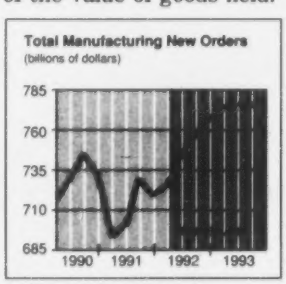
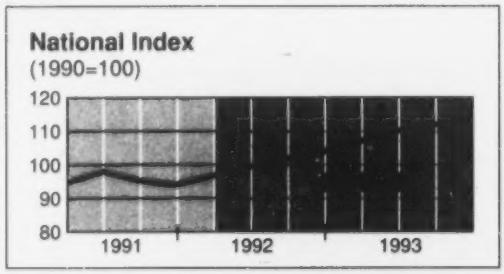


Data source: Department of Commerce
Forecast source: Cahners Economics

I.D.A. REPORT

SALES (1990=100)	May 1992	Apr. 1992	May '92 vs. May '91 % change
TOTAL	96.5	100.0	-3.3
EAST	92.8	95.9	-6.4
SOUTH	102.2	110.4	+1.3
CENTRAL	97.3	98.2	-2.7
WEST	90.7	92.6	-8.3



SOURCE: Industrial Distribution Assn.